

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Adams  
Contributory Retirement System  
For the Three Year Period  
January 1, 2000 - December 31, 2002  
PERAC 02: 10-013-34**

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July 19, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Adams** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2000** to December 31, **2002**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Harry Chadwick and Robert Madison who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## Adams Retirement System

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **1. Annual Statement**

- A. The Adams Retirement Board did not identify each cash account in its Annual Statement on Schedule 1.

##### **Recommendation:**

The Adams Retirement Board must identify each cash account on Schedule 1 of the Annual Statement. The totals of each cash account must equal the value shown in account 1040 on the Assets and Liabilities section of the Annual Statement.

##### **Board Response:**

All the cash accounts are identified individually starting in 2003. Below is a supplemental listing of all the separate cash accounts for the period ending December 31, 2002. Please note that the TACS system does not seem to allow accounts in 1040 to be separated on the Annual Statement, only in the monthly trial balance. We will submit a manually prepared addendum annually to supplement the PERAC approved TACS system. And we will explore the possibility of the TACS system performing this function.

Balances for Cash Accounts as of December 31, 2002

|                      |              |                   |
|----------------------|--------------|-------------------|
| Banknorth Checking   | \$455,281.63 | #10046142         |
| Banknorth Money Mkt. | \$148,564.03 | #63007356         |
| Boston Safe MMA      | \$ 66,132.95 | #008-9583         |
| Mass. Mun. MMDT      | \$753,159.83 | #0011-00044209245 |

|       |                |  |
|-------|----------------|--|
| Total | \$1,423,138.44 |  |
|-------|----------------|--|

- B. Supporting investment schedule numbers do not agree with the Annual Statement numbers. Specifically, the interest due and accrued amounts are not identified for all three years on the investment income page. Gains and losses, as well as the unrealized gains and unrealized loss numbers do not agree with the investment schedules. It is important to note that these amounts may have an impact on the system's fund balances.

##### **Recommendation:**

Amounts submitted on the Annual Statement for interest due and accrued, gains and losses, and unrealized gains and losses should be reviewed and corrected. A revised investment income page should be generated as part of a revised Annual Statement.

##### **Board Response:**

Interest Due & Accrued in previous years was not accounted for by the Treasurer. This changed in 2003 when the interest due and accrued was properly accounted for. The new Treasurer fully understands the importance of accounting for all the assets and fund

## **Adams Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

balances. The unrealized gains and losses were also not properly accounted for at year-end. The realized gains and losses have consistently been done correctly on a monthly basis always matching the monthly investment statement. A revised investment income page is enclosed for review.

- C. The Annuity Savings Fund balance does not agree with the supplementary membership schedule.

#### **Recommendation:**

The supplementary membership schedule should be reviewed for errors and compared with amounts posted in the Annuity Savings Fund.

#### **Board Response:**

The Annuity Savings Fund Balance was off because of incorrect entries made in 2001. This was discovered in September of 2003 by the auditor Mr. Madison mid audit. Adjustments were made in 2003 before closing and now match the supplementary Membership Schedule. The 2003 Fund Balance has been found to have an \$88.00 discrepancy and will be corrected for 2004.

- D. Short-term investments of \$1,663,334.35, as reported by Investors Bank & Trust, do not appear as a short-term investments' line item in the Annual Statement or in the Trial Balance. The previous PERAC audit ending in 1999 determined that the retirement system did not report short-term investments in the Annual Statement or in the Trial Balance.

#### **Recommendation:**

The Annual Statement and supporting schedules must reflect the custodial bank's definition of cash, including short-term investments.

#### **Board Response:**

The Short Term Investments appear as a line item starting in 2003. They are identified on the monthly Trial Balance and the 2003 Annual Statement. We acknowledge that the previous PERAC audit performed in the 2002 for the period ending in 1999 identified this exact problem. The response that was made and accepted by PERAC at that time was "The Short Term Investments will appear as a line item starting in 2003". It could not be corrected before it was discovered.

## **2. Annuity Reserve Interest**

The Annuity Reserve Interest was incorrectly calculated in 2001 due to incorrect accounting entries made to the Annuity Savings Fund and Annuity Reserve Fund.

## **Adams Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **Recommendation:**

The Adams Retirement System must make correcting entries to the Annuity Reserve Fund and the Annuity Savings Fund for 2001 as well as make an adjusting entry to credit the Annuity Reserve Fund and debit Pension Reserve Fund for \$13,557.96 including interest.

#### **Board Response:**

The proper entries were made to the Annuity Reserve Fund and the Annuity Savings Fund before closing in 2003 when they were pointed out by auditor Bob Madison. The correct Annuity Reserve Interest was \$13,964.70 per Mr. Madison and the correct entry was made to the fund balances, prior to 2003 closing, with the verbal approval of auditor Mr. Chadwick.

### **3. Minutes**

- A. Board members who have attended monthly Board meetings have not signed several of the meeting's minutes. In addition, pages of the minutes' books are not numbered, nor are they initialed.

#### **Recommendation:**

The Executive Secretary should ensure that all Board members sign the minutes for the meetings they have attended. The pages of the minutes' book should either be signed or initialed.

#### **Board Response:**

All Board Members currently sign the minutes and every page is initialed. This was corrected in late 2003 when auditors Mr. Madison and Mr. Chadwick brought the matter to our attention during the audit.

### **B. Financial Reporting**

The Board Administrator does not receive copies of monthly cash reconciliations and the Retirement Board members do not review copies of cash reconciliations at monthly meetings.

#### **Recommendation:**

Pursuant to 840 CMR 25.31 (6), the Board Administrator, as well as the Board members should review copies of monthly cash reconciliations and trial balances.

#### **Board Response:**

Copies of cash reconciliations, trial balances, custodial statements and investment manager statements are copied and reviewed at the monthly meetings. This was corrected in late 2003 when auditors Mr. Madison and Mr. Chadwick brought the matter to our

## Adams Retirement System

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

attention during the audit. The new Treasurer has been speeding up the cash reconciliation process.

#### **C. Investment Manager Quarterly Meetings**

The Board does not meet with their investment manager, Boston Private Value Investors.

##### **Recommendation:**

Pursuant to CMR 16.07 (2), the Board should meet with their investment manager at least annually.

##### **Board Response:**

The Board has since initiated a quarterly schedule with the Investment Manager and Custodian. The first meeting commence[d] in October of 2003 and the annual schedule is as follows: January, April, July and October.

#### **4. Office Space**

The space that the retirement system utilizes is not a standard office. There is little opportunity for privacy, and discussions potentially containing confidential information may be overheard. There is a freestanding, three-section, metal partition separating the office area from the hallway, which is unacceptable. The system is charged \$150.00 per month for this space. In addition, access to retirement system files is difficult because retirement staff do not have a key to the room where the file cabinets are located.

##### **Recommendation:**

Retirement Board staff should be given adequate operating space to conduct the daily operations of the system's administration. It should be a standard office with a locking door, and have sufficient space to house the system's files.

##### **Board Response:**

The Retirement System had a new office built in January of 2004. This office is completed with a locking door and ensures privacy. In addition, the Administrator now has a key to the room where the system's files are located. This door is always locked as well as the file cabinets.

##### **Final Determination:**

***PERAC audit staff will follow-up in six (6) months to ensure that appropriate actions have been taken regarding all findings.***

# Adams Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

| <b>FOR THE PERIOD ENDING DECEMBER 31,</b> |                            |                            |                            |
|-------------------------------------------|----------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                             | <b>2002</b>                | <b>2001</b>                | <b>2000</b>                |
| Cash                                      | \$3,088,493                | \$2,557,183                | \$2,613,326                |
| Short Term Investments                    |                            |                            |                            |
| Fixed Income Securities (at book value)   | 7,636,683                  | 8,508,058                  | 8,495,612                  |
| Equities                                  | 7,070,839                  | 7,222,923                  | 6,630,500                  |
| Pooled Short Term Funds                   |                            |                            |                            |
| Pooled Domestic Equity Funds              |                            |                            |                            |
| Pooled International Equity Funds         |                            |                            |                            |
| Pooled Global Equity Funds                |                            |                            |                            |
| Pooled Domestic Fixed Income Funds        |                            |                            |                            |
| Pooled International Fixed Income Funds   |                            |                            |                            |
| Pooled Global Fixed Income Funds          |                            |                            |                            |
| Pooled Alternative Investment Funds       |                            |                            |                            |
| Pooled Real Estate Funds                  |                            |                            |                            |
| Pooled Domestic Balanced Funds            |                            |                            |                            |
| Pooled International Balanced Funds       |                            |                            |                            |
| PRIT Cash Fund                            |                            |                            |                            |
| PRIT Core Fund                            |                            |                            |                            |
| Interest Due and Accrued                  |                            |                            |                            |
| Accounts Receivable                       | 839,578                    | 355,171                    | 525                        |
| Accounts Payable                          | (68,650)                   | 0                          | 0                          |
| <b>TOTAL</b>                              | <b><u>\$18,566,943</u></b> | <b><u>\$18,643,335</u></b> | <b><u>\$17,739,962</u></b> |
| <b>FUND BALANCES</b>                      |                            |                            |                            |
| Annuity Savings Fund                      | \$4,252,926                | \$4,491,707                | \$3,915,934                |
| Annuity Reserve Fund                      | 1,683,587                  | 1,069,602                  | 1,357,449                  |
| Pension Fund                              | 3,084,408                  | 3,076,859                  | 2,997,436                  |
| Military Service Fund                     | 0                          | 0                          | 0                          |
| Expense Fund                              | 0                          | 0                          | 0                          |
| Pension Reserve Fund                      | 9,546,022                  | 10,005,167                 | 9,469,143                  |
| <b>TOTAL</b>                              | <b><u>\$18,566,943</u></b> | <b><u>\$18,643,335</u></b> | <b><u>\$17,739,962</u></b> |



# Adams Retirement System

## STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

|                                 | <b>Annuity<br/>Savings<br/>Fund</b> | <b>Annuity<br/>Reserve<br/>Fund</b> | <b>Pension<br/>Fund</b>   | <b>Military<br/>Service<br/>Fund</b> | <b>Expense<br/>Fund</b> | <b>Pension<br/>Reserve<br/>Fund</b> | <b>Total<br/>All<br/>Funds</b> |
|---------------------------------|-------------------------------------|-------------------------------------|---------------------------|--------------------------------------|-------------------------|-------------------------------------|--------------------------------|
| <b>Beginning Balance (2000)</b> | \$3,633,817                         | \$1,356,600                         | \$2,755,913               | \$0                                  | \$0                     | \$8,233,044                         | <b>\$15,979,374</b>            |
| Receipts                        | 504,623                             | 40,374                              | 1,188,621                 | 0                                    | 111,498                 | 1,236,099                           | <b>3,081,215</b>               |
| Interfund Transfers             | (120,156)                           | 120,156                             | 0                         | 0                                    | 0                       | 0                                   | <b>(0)</b>                     |
| Disbursements                   | (102,349)                           | (159,682)                           | (947,099)                 | 0                                    | (111,498)               | 0                                   | <b>(1,320,628)</b>             |
| <b>Ending Balance (2000)</b>    | <b>3,915,934</b>                    | <b>1,357,448</b>                    | <b>2,997,436</b>          | <b>0</b>                             | <b>0</b>                | <b>9,469,143</b>                    | <b>17,739,961</b>              |
| Receipts                        | 525,872                             | 36,437                              | 1,062,351                 | 0                                    | 138,236                 | 536,237                             | <b>2,299,133</b>               |
| Interfund Transfers             | 155,655                             | (155,441)                           | 0                         | 0                                    | 0                       | (214)                               | <b>(0)</b>                     |
| Disbursements                   | (105,754)                           | (168,843)                           | (982,928)                 | 0                                    | (138,236)               | 0                                   | <b>(1,395,760)</b>             |
| <b>Ending Balance (2001)</b>    | <b>4,491,707</b>                    | <b>1,069,602</b>                    | <b>3,076,859</b>          | <b>0</b>                             | <b>0</b>                | <b>10,005,167</b>                   | <b>18,643,334</b>              |
| Receipts                        | 599,265                             | 33,031                              | 1,060,012                 | 0                                    | 138,157                 | (461,004)                           | <b>1,369,461</b>               |
| Interfund Transfers             | (756,661)                           | 754,802                             | 0                         | 0                                    | 0                       | 1,859                               | <b>0</b>                       |
| Disbursements                   | (81,385)                            | (173,848)                           | (1,052,463)               | 0                                    | (138,157)               | 0                                   | <b>(1,445,853)</b>             |
| <b>Ending Balance (2002)</b>    | <b><u>\$4,252,926</u></b>           | <b><u>\$1,683,586</u></b>           | <b><u>\$3,084,408</u></b> | <b><u>\$0</u></b>                    | <b><u>\$0</u></b>       | <b><u>\$9,546,022</u></b>           | <b><u>\$18,566,942</u></b>     |

# Adams Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

|                                                                        | FOR THE PERIOD ENDING DECEMBER 31, |                           |                           |
|------------------------------------------------------------------------|------------------------------------|---------------------------|---------------------------|
|                                                                        | 2002                               | 2001                      | 2000                      |
| <b>Annuity Savings Fund:</b>                                           |                                    |                           |                           |
| Members Deductions                                                     | \$460,189                          | \$438,364                 | \$405,779                 |
| Transfers from other Systems                                           | 52,543                             | 10,544                    | 13,810                    |
| Member Make Up Payments and Redeposits                                 | 30,787                             | 4,527                     | 9,773                     |
| Investment Income Credited to Member Accounts                          | 55,745                             | 72,437                    | 75,261                    |
| <b>Sub Total</b>                                                       | <b><u>599,265</u></b>              | <b><u>525,872</u></b>     | <b><u>504,623</u></b>     |
| <b>Annuity Reserve Fund:</b>                                           |                                    |                           |                           |
| Investment Income Credited Annuity Reserve Fund                        | <u>33,031</u>                      | <u>36,437</u>             | <u>40,374</u>             |
| <b>Pension Fund:</b>                                                   |                                    |                           |                           |
| 3 (8) (c) Reimbursements from Other Systems                            | 26,825                             | 28,855                    | 34,203                    |
| Received from Commonwealth for COLA and Survivor Benefits              | 103,265                            | 106,226                   | 53,113                    |
| Pension Fund Appropriation                                             | <u>929,922</u>                     | <u>927,270</u>            | <u>1,101,305</u>          |
| <b>Sub Total</b>                                                       | <b><u>1,060,012</u></b>            | <b><u>1,062,351</u></b>   | <b><u>1,188,621</u></b>   |
| <b>Military Service Fund:</b>                                          |                                    |                           |                           |
| Contribution Received from Municipality on Account of Military Service | 0                                  | 0                         | 0                         |
| Investment Income Credited Military Service Fund                       | <u>0</u>                           | <u>0</u>                  | <u>0</u>                  |
| <b>Sub Total</b>                                                       | <b><u>0</u></b>                    | <b><u>0</u></b>           | <b><u>0</u></b>           |
| <b>Expense Fund:</b>                                                   |                                    |                           |                           |
| Expense Fund Appropriation                                             | 0                                  | 0                         | 0                         |
| Investment Income Credited to Expense Fund                             | <u>138,157</u>                     | <u>138,236</u>            | <u>111,498</u>            |
| <b>Sub Total</b>                                                       | <b><u>138,157</u></b>              | <b><u>138,236</u></b>     | <b><u>111,498</u></b>     |
| <b>Pension Reserve Fund:</b>                                           |                                    |                           |                           |
| Federal Grant Reimbursement                                            | 38,270                             | 32,008                    | 34,571                    |
| Pension Reserve Appropriation                                          | 0                                  | 0                         | 0                         |
| Interest Not Refunded                                                  | 253                                | 1,686                     | 1,359                     |
| Miscellaneous Income                                                   | 29,740                             | 0                         | 0                         |
| Excess Investment Income                                               | <u>(529,267)</u>                   | <u>502,543</u>            | <u>1,200,169</u>          |
| <b>Sub Total</b>                                                       | <b><u>(461,004)</u></b>            | <b><u>536,237</u></b>     | <b><u>1,236,099</u></b>   |
| <b>TOTAL RECEIPTS</b>                                                  | <b><u>\$1,369,461</u></b>          | <b><u>\$2,299,133</u></b> | <b><u>\$3,081,215</u></b> |

# Adams Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

| <b>FOR THE PERIOD ENDING DECEMBER 31,</b>                      |                           |                           |                           |
|----------------------------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                                                | <b>2002</b>               | <b>2001</b>               | <b>2000</b>               |
| <b>Annuity Savings Fund:</b>                                   |                           |                           |                           |
| Refunds to Members                                             | \$40,961                  | \$61,773                  | \$34,253                  |
| Transfers to other Systems                                     | <u>40,424</u>             | <u>43,981</u>             | <u>68,096</u>             |
| <b>Sub Total</b>                                               | <b><u>81,385</u></b>      | <b><u>105,754</u></b>     | <b><u>102,349</u></b>     |
| <b>Annuity Reserve Fund:</b>                                   |                           |                           |                           |
| Annuities Paid                                                 | 173,848                   | 166,513                   | 159,682                   |
| Option B Refunds                                               | <u>0</u>                  | <u>2,330</u>              | <u>0</u>                  |
| <b>Sub Total</b>                                               | <b><u>173,848</u></b>     | <b><u>168,843</u></b>     | <b><u>159,682</u></b>     |
| <b>Pension Fund:</b>                                           |                           |                           |                           |
| Pensions Paid                                                  |                           |                           |                           |
| Regular Pension Payments                                       | 776,392                   | 727,901                   | 693,052                   |
| Survivorship Payments                                          | 77,069                    | 79,281                    | 78,894                    |
| Ordinary Disability Payments                                   | 42,358                    | 41,194                    | 40,278                    |
| Accidental Disability Payments                                 | 95,648                    | 79,855                    | 78,854                    |
| Accidental Death Payments                                      | 11,237                    | 10,910                    | 10,654                    |
| Section 101 Benefits                                           | 0                         | 0                         | 0                         |
| 3 (8) (c) Reimbursements to Other Systems                      | 49,758                    | 43,786                    | 45,366                    |
| State Reimbursable COLA's Paid                                 |                           |                           |                           |
| Chapter 389 Beneficiary Increase Paid                          |                           |                           |                           |
| <b>Sub Total</b>                                               | <b><u>1,052,463</u></b>   | <b><u>982,928</u></b>     | <b><u>947,099</u></b>     |
| <b>Military Service Fund:</b>                                  |                           |                           |                           |
| Return to Municipality for Members Who<br>Withdrew Their Funds | <u>0</u>                  | <u>0</u>                  | <u>0</u>                  |
| <b>Expense Fund:</b>                                           |                           |                           |                           |
| Board Member Stipend                                           | 12,000                    | 10,750                    | 12,000                    |
| Salaries                                                       | 30,056                    | 29,224                    | 27,560                    |
| Legal Expenses                                                 | 0                         | 0                         | 0                         |
| Medical Expenses                                               | 0                         | 0                         | 0                         |
| Travel Expenses                                                | 213                       | 84                        | 165                       |
| Administrative Expenses                                        | 28,064                    | 32,127                    | 13,592                    |
| Furniture and Equipment                                        | 0                         | 0                         | 0                         |
| Management Fees                                                | 49,558                    | 48,242                    | 42,860                    |
| Custodial Fees                                                 | 18,267                    | 17,808                    | 15,321                    |
| Consultant Fees                                                | <u>0</u>                  | <u>0</u>                  | <u>0</u>                  |
| <b>Sub Total</b>                                               | <b><u>138,157</u></b>     | <b><u>138,236</u></b>     | <b><u>111,498</u></b>     |
| <b>TOTAL DISBURSEMENTS</b>                                     | <b><u>\$1,445,853</u></b> | <b><u>\$1,395,760</u></b> | <b><u>\$1,320,628</u></b> |

# Adams Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000  
AND ENDING DECEMBER 31, 2002**

|                                                                    | <b>FOR THE PERIOD ENDING DECEMBER 31,</b> |                         |                           |
|--------------------------------------------------------------------|-------------------------------------------|-------------------------|---------------------------|
|                                                                    | <b>2002</b>                               | <b>2001</b>             | <b>2000</b>               |
| <b>Investment Income Received From:</b>                            |                                           |                         |                           |
| Cash                                                               | 18,986                                    | 49,850                  | 77,588                    |
| Short Term Investments                                             | 22,571                                    | 36,903                  | 0                         |
| Fixed Income                                                       | 492,321                                   | 547,971                 | 445,074                   |
| Equities                                                           | 224,449                                   | 244,966                 | 212,171                   |
| Pooled or Mutual Funds                                             | 0                                         | 0                       | 0                         |
| Commission Recapture                                               | <u>0</u>                                  | <u>0</u>                | <u>0</u>                  |
| <b>TOTAL INVESTMENT INCOME</b>                                     | <b><u>758,327</u></b>                     | <b><u>879,691</u></b>   | <b><u>734,832</u></b>     |
| <b>Plus:</b>                                                       |                                           |                         |                           |
| Realized Gains                                                     | 143,416                                   | 425,449                 | 368,797                   |
| Unrealized Gains                                                   | 94,932                                    | 124,191                 | 749,843                   |
| Interest Due and Accrued on Fixed Income Securities - Current Year | <u>0</u>                                  |                         | <u>0</u>                  |
| <b>Sub Total</b>                                                   | <b><u>238,348</u></b>                     | <b><u>549,641</u></b>   | <b><u>1,118,640</u></b>   |
| <b>Less:</b>                                                       |                                           |                         |                           |
| Paid Accrued Interest on Fixed Income Securities                   | 0                                         | (26,424)                | (5,654)                   |
| Realized Loss                                                      | (652,520)                                 | (615,967)               | (420,516)                 |
| Unrealized Loss                                                    | (646,489)                                 | (37,288)                | 0                         |
| Custodial Fees Paid                                                |                                           |                         |                           |
| Consultant Fees Paid                                               |                                           |                         |                           |
| Management Fees Paid                                               |                                           |                         |                           |
| Board Member Stipend                                               |                                           |                         |                           |
| Interest Due and Accrued on Fixed Income Securities - Prior Year   | <u>0</u>                                  | <u>0</u>                | (72,879)                  |
| <b>Sub Total</b>                                                   | <b><u>(1,299,009)</u></b>                 | <b><u>(679,678)</u></b> | <b><u>(499,050)</u></b>   |
| <b>NET INVESTMENT INCOME</b>                                       | <b><u>(302,334)</u></b>                   | <b><u>749,653</u></b>   | <b><u>1,354,422</u></b>   |
| <b>Income Required:</b>                                            |                                           |                         |                           |
| Annuity Savings Fund                                               | 55,745                                    | 72,437                  | 75,261                    |
| Annuity Reserve Fund                                               | 33,031                                    | 36,437                  | 40,374                    |
| Military Service Fund                                              | 0                                         | 0                       | 0                         |
| Expense Fund                                                       | <u>138,157</u>                            | <u>138,236</u>          | <u>111,498</u>            |
| <b>TOTAL INCOME REQUIRED</b>                                       | <b><u>226,933</u></b>                     | <b><u>247,110</u></b>   | <b><u>227,133</u></b>     |
| Net Investment Income                                              | <u>(302,334)</u>                          | <u>749,653</u>          | <u>1,354,422</u>          |
| Less: Total Income Required                                        | <u>226,933</u>                            | <u>247,110</u>          | <u>227,133</u>            |
| <b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>                   | <b><u>(\$529,267)</u></b>                 | <b><u>\$502,543</u></b> | <b><u>\$1,127,289</u></b> |

## Adams Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

|                                         | <b>BOOK VALUE*</b>         | <b>MARKET<br/>VALUE</b>    | <b>PERCENTAGE<br/>OF TOTAL<br/>ASSETS</b> | <b>PERCENTAGE<br/>ALLOWED*</b> |
|-----------------------------------------|----------------------------|----------------------------|-------------------------------------------|--------------------------------|
| Cash                                    | \$3,088,493                | \$3,088,493                | 17.35%                                    | 100                            |
| Short Term                              | 0                          | 0                          | 0.00%                                     | 100                            |
| Fixed Income                            | 7,636,683                  | 7,636,683                  | 42.91%                                    | 40 - 80                        |
| Equities                                | 7,070,839                  | 7,070,839                  | 39.73%                                    | 40                             |
| Pooled Short Term Funds                 |                            |                            | 0.00%                                     |                                |
| Pooled Domestic Equity Funds            |                            |                            | 0.00%                                     |                                |
| Pooled International Equity Funds       |                            |                            | 0.00%                                     |                                |
| Pooled Global Equity Funds              |                            |                            | 0.00%                                     |                                |
| Pooled Domestic Fixed Income Funds      |                            |                            | 0.00%                                     |                                |
| Pooled International Fixed Income Funds |                            |                            | 0.00%                                     |                                |
| Pooled Global Fixed Income Funds        |                            |                            | 0.00%                                     |                                |
| Pooled Alternative Investment Funds     |                            |                            | 0.00%                                     |                                |
| Pooled Real Estate Funds                |                            |                            | 0.00%                                     |                                |
| Pooled Domestic Balanced Funds          |                            |                            | 0.00%                                     |                                |
| Pooled International Balanced Funds     |                            |                            | 0.00%                                     |                                |
| PRIT Cash Fund                          |                            |                            | 0.00%                                     |                                |
| PRIT Core Fund                          |                            |                            | 0.00%                                     | 100                            |
| <b>GRAND TOTALS</b>                     | <b><u>\$17,796,015</u></b> | <b><u>\$17,796,015</u></b> | <b><u>100.00%</u></b>                     |                                |

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2002**, the rate of return for the investments of the **Adams** Retirement System was -3.13%. For the five-year period ending December 31, **2002**, the rate of return for the investments of the **Adams** Retirement System averaged 4.96%. For the eighteen-year period ending December 31, **2002**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Adams** Retirement System was 9.56%.

## **Adams Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

The **Adams** Retirement System does not have any supplementary investment regulations on file.

## **Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Adams** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.



## **Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Adams** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

March 12, 2001

Board Pay.

To receive compensation under MGL Chapter 32 Section 20 Paragraph 6, board members must attend the monthly board meetings. Failure to attend meetings will be grounds for forfeiture of monthly stipend for that month. Board members may receive compensation when their absences are excused by a vote of the Board for the following reasons:

## **Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

- a. work conflict,
- b. illness of board member or immediate family,
- c. vacation.

In order for the Board to grant an excused absence, the Board's Administrative Assistant or Chairman must be notified of the absence prior to the scheduled time of the meeting. The Board may grant an excused absence if notification is not received under extenuating circumstances. Generally, board members will be granted only one (1) excused absence per calendar quarter, but may request more. The Board may, at its sole discretion, grant additional excused absences. The Board may refuse to grant an excused absence if the Board determines that the board member has a history of non-attendance or flagrant abuse of excused absences. This supplemental rule provides rules on receipt of the retirement board stipend and is consistent with the provisions of G.L. c. 32.

August 31, 1987

#### **Membership.**

1. Full time permanent employees who work at least 35 hours per week and are under age 65 shall join the retirement system as of their date of employment.
2. Employees who work at least 20 but less than 35 hours per week must join within 6 months of their date of employment but may join at an earlier date at the discretion of the board.
3. Appointed officials who receive compensation of at least \$5,000 per year may join within 90 days of each appointment.
4. Elected officials who receive compensation may join within 90 days of each election.
5. Temporary employees, employees who are normally scheduled to work less than 20 hours per week, and appointed officials who receive compensation of less than \$5,000.
6. The Board shall have full jurisdiction to determine the eligibility of employees for membership in all cases involving part time, provisional, temporary, temporary provisional, seasonal or intermittent employment or service.
7. Every employee who becomes a member of the Adams Retirement System must complete the necessary forms as furnished by the Retirement Board and name a beneficiary. At the time of enrollment, he/she must also furnish the Board with a long form birth certificate, and if a veteran, a copy of his/her Discharge of Military Service or equivalent which shall be kept on file by the Board.

#### **Creditable Service**

1. Members who work at least 7 continuous months per year shall be credited with one year of service for each year worked.

## **Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

2. Members who work less than 7 continuous months shall be credited on a prorated basis. For every 150 hours or portion thereof worked in a calendar year, a member shall receive credit for one month of service to a maximum of 12 months.
3. Members who are elected officials shall be credited with one year of service for any time served within the calendar year.
4. Members who are appointed/salaried employees shall be credited with service in accordance with their salary schedule.
5. Members shall be credited with one month of service to a maximum of 60 months for each month which a reserve or permanent intermittent police officer was on his/her respective list and was eligible for assignment to duty subsequent to his/her appointment, as consistent with Chapter 32, s. 4 (2) (b).
6. Members who were full time employees who became part time or members who were part time employees who became full time shall have their part time service credited in the same manner as employees who work less than 7 continuous months.
7. Approved unpaid leaves of absence of not more than 30 days per calendar year shall not affect creditable service. Unapproved unpaid leaves of absence or approved unpaid leaves of absence in excess of 30 days per calendar year shall decrease creditable service for a like period.

#### **Continuation of Membership**

1. An employee, appointed official, or elected official who is presently a member of the system who would no longer be eligible for initial membership may at the member's option, continue membership. Service will be credited in accordance with the rules established under the section entitled "Creditable Service".

## **Adams Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Roland Chaffee

Appointed Member: Francis J. Wojtaszek                      Term Expires: 07/01/04

Elected Member: Paul Nowicki                                      Term Expires: 07/01/03

Elected Member: David M. Clark                                      Term Expires: 07/01/04

Appointed Member: Bernard A. Pinsonnault                      Term Expires: 06/30/05

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

|                        |   |                                     |
|------------------------|---|-------------------------------------|
| Treasurer - Custodian: | ) |                                     |
| Ex officio Member:     | ) | \$30,000,000                        |
| Elected Member:        | ) | Traveler's, Federal, Executive Risk |
| Appointed Member:      | ) |                                     |
| Staff Employee:        | ) |                                     |

# Adams Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2002**.

|                                                               |                           |
|---------------------------------------------------------------|---------------------------|
| The actuarial liability for active members was                | \$11,778,708              |
| The actuarial liability for vested terminated members was     | 153,720                   |
| The actuarial liability for non-vested terminated members was | 7,248                     |
| The actuarial liability for retired members was               | 9,666,974                 |
| The total actuarial liability was                             | <b>21,606,650</b>         |
| System assets as of that date were (actuarial value)          | 17,711,168                |
| The unfunded actuarial liability was                          | <b><u>\$3,895,482</u></b> |
|                                                               |                           |
| The ratio of system's assets to total actuarial liability was | 82.0%                     |
| As of that date the total covered employee payroll was        | \$5,432,384               |

The normal cost for employees on that date was 7.76% of payroll  
The normal cost for the employer was 6.30% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum  
**Rate of Salary Increase:** varies by group and service

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>( a ) | Actuarial<br>Accrued<br>Liability<br>( b ) | Unfunded<br>AAL<br>(UAAL)<br>( b-a ) | Funded<br>Ratio<br>( a/b ) | Covered<br>Payroll<br>( c ) | UAAL as a<br>% of<br>Cov. Payroll<br>( (b-a)/c ) |
|--------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------|----------------------------|-----------------------------|--------------------------------------------------|
| 1/1/2002                       | \$ 17,711,168                            | \$ 21,606,650                              | \$ 3,895,482                         | 82.0%                      | \$ 5,432,384                | 71.7%                                            |
| 1/1/2000                       | \$ 15,180,405                            | \$ 18,709,876                              | \$ 3,529,471                         | 81.1%                      | \$ 4,675,545                | 75.5%                                            |
| 1/1/1998                       | \$ 13,506,925                            | \$ 16,244,917                              | \$ 2,737,992                         | 83.1%                      | \$ 3,768,541                | 72.7%                                            |
|                                |                                          |                                            |                                      |                            |                             |                                                  |

## Adams Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002**

#### NOTE 6 - MEMBERSHIP EXHIBIT

| <b>Retirement in Past Years</b>             | <b>1993</b>             | <b>1994</b>             | <b>1995</b>             | <b>1996</b>             | <b>1997</b>             | <b>1998</b>             | <b>1999</b>             | <b>2000</b>             | <b>2001</b>             | <b>2002</b>               |
|---------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|
| Superannuation                              | 2                       | 3                       | 9                       | 4                       | 3                       | 3                       | 2                       | 0                       | 6                       | 8                         |
| Ordinary Disability                         | 0                       | 0                       | 0                       | 0                       | 1                       | 0                       | 0                       | 0                       | 0                       | 0                         |
| Accidental Disability                       | 0                       | 0                       | 1                       | 1                       | 0                       | 1                       | 0                       | 0                       | 0                       | 0                         |
| <b>Total Retirements</b>                    | <b>2</b>                | <b>3</b>                | <b>10</b>               | <b>5</b>                | <b>4</b>                | <b>4</b>                | <b>2</b>                | <b>0</b>                | <b>6</b>                | <b>8</b>                  |
|                                             |                         |                         |                         |                         |                         |                         |                         |                         |                         |                           |
| Total Retirees, Beneficiaries and Survivors | 135                     | 135                     | 140                     | 139                     | 135                     | 136                     | 141                     | 143                     | 144                     | 145                       |
|                                             |                         |                         |                         |                         |                         |                         |                         |                         |                         |                           |
| <b>Total Active Members</b>                 | <b>199</b>              | <b>192</b>              | <b>184</b>              | <b>184</b>              | <b>187</b>              | <b>225</b>              | <b>237</b>              | <b>237</b>              | <b>255</b>              | <b>257</b>                |
|                                             |                         |                         |                         |                         |                         |                         |                         |                         |                         |                           |
| <b>Pension Payments</b>                     |                         |                         |                         |                         |                         |                         |                         |                         |                         |                           |
| Superannuation                              | \$545,667               | \$542,192               | \$563,143               | \$580,783               | \$576,765               | \$801,992               | \$623,194               | \$693,052               | \$727,901               | \$776,392                 |
| Survivor/Beneficiary Payments               | 91,484                  | 91,609                  | 83,505                  | 72,655                  | 71,254                  | 0                       | 80,207                  | 78,894                  | 79,281                  | 77,069                    |
| Ordinary Disability                         | 17,837                  | 21,904                  | 23,344                  | 23,475                  | 24,156                  | 0                       | 45,951                  | 40,278                  | 41,194                  | 42,358                    |
| Accidental Disability                       | 19,929                  | 20,064                  | 33,725                  | 49,255                  | 62,103                  | 0                       | 84,566                  | 78,854                  | 79,855                  | 95,648                    |
| Other                                       | <u>53,739</u>           | <u>57,975</u>           | <u>60,582</u>           | <u>60,625</u>           | <u>61,075</u>           | <u>37,983</u>           | <u>49,855</u>           | <u>56,020</u>           | <u>54,695</u>           | <u>60,995</u>             |
| <b>Total Payments for Year</b>              | <b><u>\$728,656</u></b> | <b><u>\$733,744</u></b> | <b><u>\$764,299</u></b> | <b><u>\$786,793</u></b> | <b><u>\$795,353</u></b> | <b><u>\$839,975</u></b> | <b><u>\$883,773</u></b> | <b><u>\$947,099</u></b> | <b><u>\$982,928</u></b> | <b><u>\$1,052,463</u></b> |